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Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Rapporteur: Mr. Svein **Aass** ..... (Norway)

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I. Introduction

A. Origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In that resolution, the General Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At the twenty-fifth session and all those that followed, the General Assembly considered the reports submitted to it by the Working Group,[1] and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year.[2]

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Mr. Huseyin Çelem of Turkey.

B. Consideration of the report of the Working Group at the fifty-second session of the General Assembly

4. The report of the Working Group on its activities in 1996 (A/51/509) was considered by the General Assembly at its fifty-first session under agenda item 84, entitled "United Nations Relief and Works Agency for Palestine Refugees in the Near East". At its 3rd plenary meeting, on 20 September 1996, the General Assembly decided to include this item in its agenda and to allocate it to the Special Political and Decolonization Committee (Fourth Committee), which considered it at its 19th to 22nd meetings, on 22, 25, and 27 November 1996.

5. At the 22nd meeting of the Committee, on 27 November 1997, the representative of the Netherlands introduced a draft resolution entitled "Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East" (A/C.4/51/L.13) sponsored by Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, Turkey and the United Kingdom of Great Britain and Northern Ireland.

6. Under the terms of the draft resolution, the General Assembly would:

(a) Commend the Working Group for its efforts to assist in ensuring the financial security of the Agency;

(b) Take note with approval of the report of the Working Group;

(c) Request the Working Group to continue its efforts, in cooperation with the Secretary-General and the Commissioner-General, for the financing of the Agency for a further period of one year;

(d) Request the Secretary-General to provide the necessary services and assistance to the Working Group for the conduct of its work.

7. At the same meeting, the Committee adopted the draft resolution without a vote.

8. At its 83rd plenary meeting, on 13 December 1996, the General Assembly considered the draft resolution regarding the Working Group, which had been recommended by the Special Political and Decolonization Committee (Fourth Committee), together with other draft resolutions under this item. At the same meeting, the Assembly adopted the draft resolution without a vote as resolution 51/125.

II. Activities of the Working Group during 1997

9. Throughout the year, the members of the Working Group have followed with concern the difficulties experienced by the Agency and, in particular, the serious financial situation it continued to face. The Working Group held two meetings, on 12 September and 14 October 1997, to consider the recent developments in the Agency's financial situation and to prepare its report to the General Assembly. The Working Group adopted its report at its meeting on 14 October 1997.

10. At its 117th meeting on 12 September 1997, the Working Group heard the representative of UNRWA in New York, who submitted an up-to-date report on the financial situation of the Agency. On 26 September 1997, the Working Group was informally briefed by the Commissioner- General on the Agency's financial crisis. The Working Group gave further consideration to the representative's report at its 118th meeting, on 6 November 1997 (see sect. III below).

III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

11. UNRWA ended the 1996 financial year with a shortfall of $26.7 million based on total expenditures of $343.3 million and total income of $316.6 million. (Some of the expenditure reflected disbursements of contributions received in previous years and earmarked for specific uses.) The prospect of a budget deficit, for a fourth successive year, had become apparent by the middle of 1996, when it was estimated that the Agency would face a shortfall of some $9.3 million by the end of that year. That estimate did not take into account the cumulative effects of two rounds of austerity measures, imposed in February 1993 and June 1996, representing $14.2 million and $9 million respectively in budgeted expenditure, or the $12.7 million provision for termination indemnities which had been built into the Agency's budget at the request of its major donors, with the endorsement of the General Assembly, in 1995. The total shortfall estimated for 1996, therefore, was estimated at $45.2 million by the middle of the year. By that time, delays being experienced in the payment of contributions had also created a severe cash-flow problem.

12. In view of this dire situation, the Commissioner-General of UNRWA convened an extraordinary meeting of major donors and host Governments in Amman in September 1996, at which the nature and magnitude of the crisis was explained and a special appeal was issued. Donors responded generously to that initiative, announcing additional pledges of $14.3 million, including $12.4 million towards the 1996 regular budget. As a result of additional contributions received, the Agency was able to cover the core 1996 deficit and avoid insolvency, even recording a nominal balance in the cash portion of the regular budget of some $2.2 million at year's end. However, this again did not take into account the cumulative effect of previous austerity measures or allow for a provision for termination benefits.

13. The measures taken by the Agency to get through 1996, including maintaining previously imposed austerity measures and the introduction of new ones, meant that some activities provided for in the budget approved by the General Assembly for the 1996-1997 biennium were not fully implemented. Therefore, the quality of the humanitarian programmes delivered by UNRWA was negatively affected. Moreover, the Agency's "working capital" reserves — representing the difference between assets and liabilities in the regular budget — had been driven to a dangerously low level, so that at the end of 1996, they amounted only to some $5 million, or the equivalent of less than one week's share of the Agency's normal monthly expenditures of $22 million.

14. UNRWA thus began 1997 not only with depleted capital and cash reserves, but also with cumulative deficits in its extrabudgetary activities. To some extent, extrabudgetary activities, including emergency operations, the European Gaza Hospital and the move of the headquarters to Gaza, had to be funded from the Agency's regular budget, rather than from special accounts established for the purpose of supporting them. At the beginning of 1997, a shortfall of roughly $40 million in the regular budget was projected by that year's end, and there were no firm prospects of any increase in income. Of concern also was the fact that there had remained outstanding at the end of 1996 some $93.5 million in cash pledges to all UNRWA accounts, of which $35.3 million was earmarked for the regular budget and $58.2 million for projects. This, combined with outstanding payments worth some $13 million due in the form of reimbursement for value-added tax and port and transit charges, had served to put the Agency's cash balances under severe strain.

15. Therefore, in February 1997, the Commissioner-General introduced another round of austerity measures amounting to some $18.7 million a year. These included eliminating a provision for salary increases, freezing certain vacancies and significantly reducing allocations for temporary labour, vehicles, equipment and supplies, training, maintenance, hospitalization and travel. At the same time, the Agency embarked on new initiatives to broaden its resource base and ensure that the entire international community was engaged in supporting the work of UNRWA. In February and March, the Commissioner-General visited five Gulf countries to discuss with Governments and non-governmental organizations (NGOs) how the Agency's programmes could be placed on a more sustainable basis. These visits have been useful in the way they have improved the knowledge of the visited countries' authorities about UNRWA's situation. Although several opportunities for strengthening cooperation were identified and assurances were received that countries in the region would continue and in some cases try to increase their support, more concrete results from these initiatives remained to be realized. The Commissioner-General also visited South-East Asia in May 1997 in an effort to engage the region, which had not historically had a relationship with the Agency, in its activities. Strong interest and sympathy have been expressed vis-à-vis UNRWA's work during these visits that could hopefully lead to greater contributions to the Agency's

budget from these countries. The Agency also worked to develop a corporate outreach programme with a view to obtaining additional in-kind donations and established high-level contacts with an international NGO devoted to supporting sustainable development activities in the West Bank, the Gaza Strip and Lebanon. In July 1997, the Agency launched a special appeal for Lebanon, for $11 million, against which confirmed pledges of $9 million were made by donors, to sustain medical services, cover urgent requirements in education and assist the poorest refugees, reflecting the special vulnerability and near total lack of economic opportunity experienced by Palestine refugees there.

16. For 1997, the cash portion of UNRWA's General Fund budget as approved by the General Assembly was $312 million. By June, the Agency was forecasting cash income in 1997 of some $235 million. The Agency therefore faced a cash shortfall for the year of some $77 million. To confront this situation, the Commissioner-General ordered the continuation of the austerity measures introduced in previous years and the continued freeze on the provision for termination indemnities, as well as ordering a number of additional administrative cost-cutting measures. In August, with no solution to the crisis in sight, the Commissioner-General reluctantly announced a series of measures, including an immediate freeze on the recruitment of 250 new teachers needed Agency-wide to cope with rising school enrolments, a reduction of 15 per cent in international staff posts, the cancellation for the last two months of the year of reimbursements for non-emergency hospitalization and the discontinuation of Agency funding for university scholarships, shelter rehabilitation and emergency cash assistance. In addition, the Agency began reviewing charges levied by host authorities for basic education services with a view to adopting similar ones. The imposition of school fees would mark a major departure for the Agency, and the reaction in the refugee community was decidedly negative. Protests were held and urgent pleas were sent out to the international community to resolve UNRWA's financial difficulties in order to forestall any further reduction in the level or quality of Agency services. Major donors, meeting again in Amman in September 1997, pledged more than $20 million in additional funding for the Agency's regular programmes in 1997, enabling the Commissioner-General to defer some of the proposed measures, including the cancellation of hospitalization payments and the imposition of school fees.

17. Altogether, reductions made by the Agency during the 1996-1997 biennium had, by the middle of 1997, reached levels of $72.2 million in direct programme-related reductions and $71.5 million in indirect programme-related reductions such as freezing the provision for termination indemnities and reducing both operational and common support services. The extent and impact of these reductions is spelled out in chapter III of the addendum to the Commissioner-General's report to the General Assembly for the period 1 July 1996 to 30 June 1997 (A/52/13/Add.1). As that report points out, the Agency had been able to offset some of these reductions in its regular budget — for example those affecting the maintenance of Agency facilities and property — through the utilization of extrabudgetary funds, such as those generated by the Peace Implementation Programme (PIP). However, the effects of these reductions over the short term as well as the longer term were only partially offset, and the continuation of austerity measures could only continue to have a negative cumulative effect on the quality of Agency programmes as well as on levels of service delivery.

18. On 26 September 1997, the Commissioner-General of UNRWA briefed the Working Group on the effects of the steps taken to confront the Agency's financial problems and on the outlook for the coming year. Among the points emphasized by the Commissioner-General were the following:

- While the measures taken to date had enabled UNRWA to scrape through the past two years, the Agency could face the same situation again in 1998, by which time the cumulative effects of austerity measures would have taken an ever greater toll;
- The biennial budgets agreed to by the General Assembly represented a commitment on the part of the international community to assist Palestine refugees at a certain level, and in order for that commitment to be met, funds must be provided at levels commensurate with the commitments made;
- Although UNRWA's budgets, and indeed the amount of funding received in the form of contributions, increased from year to year in absolute terms, those increases took no account of the effects of inflation or exchange rate fluctuations or, above all, of the steady increase in the refugee population, which was felt principally in the growing number of children enrolling in Agency schools from year to year;
- The amounts spent by UNRWA per refugee — for education services, health care and relief and social programmes — had been declining annually for the past five years and, while the results of those programmes in terms of the well-being of the refugees was something that the Agency could be proud of,

UNRWA was spending considerably less per capita on the beneficiaries of its services than was the case for the host country populations served by their own Governments.

19. The 1998-1999 biennial budget of UNRWA being presented to the General Assembly at its fifty-second session proposes a budget level generally the same as in the previous biennial budget for 1996-1997, despite the increase in the number of Palestine refugees. The cash budget for 1998-1999 amounts to some $636.2 million, of which the 1998 share would be $314 million (compared with $312 million for 1997). If UNRWA receives the same amount from donors in 1998 as in 1997 (i.e., $260 million, including additional contributions announced in September 1997), the Agency will still face a deficit of $54 million in 1998. That figure again makes no provision for the restoration of cuts made in previous years or for the cost of termination indemnities.

IV. Concluding remarks

20. The Working Group has received with deep concern the assessment of UNRWA's current situation and future prospects presented to it by the Commissioner-General and other officials of the Agency. The Working Group recognizes that the average expenditure per refugee has decreased by 29 per cent over the past four years (not taking into account the effects of inflation), at a time when the refugee population has increased by 27 per cent, and that this has had a negative impact on the quality of services delivered.

21. In the light of the seriousness of the situation, the Working Group stresses the responsibility of the international community to strive to ensure the maintenance of UNRWA's services at acceptable levels. The Working Group hopes that all joint efforts are undertaken to ensure that UNRWA will be able to maintain acceptable levels of services to the refugees, including the provision of necessary resources by the international community at large for its 1998-1999 budget. The Working Group welcomes UNRWA's continuing efforts to implement management reform, including prioritizing activities taking into account the needs of the refugees, and to re-examine the way it delivers services to ensure that it operates in the most cost-effective manner possible.

22. The Working Group commends the Commissioner-General and his staff for their tireless efforts to maintain the basic operations of the Agency despite the constraints on the availability of resources which they have faced. It commends the Commissioner-General also for his fund-raising efforts, particularly in attempting to open up new avenues of support and funding and to broaden the base of donors. It hopes that these useful efforts will be quickly followed by concrete steps. The Working Group joins the Commissioner-General in expressing the hope that the example set by those who have joined the ranks of donors to the Agency or who have increased the level of their contributions will be followed by others. The Working Group salutes the Commissioner-General and his staff for the adoption of a clearer format for presenting the Agency's budget and appreciates the efforts of the Commissioner-General to share details of the budget with members of the international community and to keep the General Assembly, through the Working Group, informed of the evolving situation. The Working Group notes, however, that further improvements in UNRWA's budget presentation are needed. Such improvements would include clarifying the level of funding needed to preserve the current level of services, specifying what part of the budget would represent an increase in services beyond current levels and evaluating the relative priority of extrabudgetary expenditures vis-à-vis regular programme budget activities.

23. The Working Group agrees that while the problem of the refugees is deeply rooted in a political issue which originated more than half a century ago, the problems faced by the refugees today are humanitarian ones which must be addressed as a shared international responsibility. The services provided by UNRWA must be seen as an essential element which enables the refugees to lead decent human lives; that these services are of generally high quality and their recipients achieve consistently above-average results in terms of educational accomplishment and health standards is a tribute to the dedication of the UNRWA staff, themselves Palestine refugees, and to the determination of the refugees to improve their lives in the most difficult of circumstances. Further reductions in UNRWA's services risk depriving the refugees of the minimum level of support and could have a negative effect on regional stability. The Working Group expresses the hope that the international support for UNRWA, embodied in annual General Assembly resolutions recognizing the importance of the Agency's work and requesting that Governments contribute to it, should be translated into measures for ensuring the continuation of the Agency on a more secure financial basis.

24. The Working Group therefore strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 1998 and once again:

(a) Urges those Governments that have not yet contributed to UNRWA to start to do so;

(b) Urges those Governments that have so far made only relatively small contributions to increase their contributions;

(c) Urges those Governments that in the past have made generous contributions to UNRWA to continue to do so and to strive to increase them;

(d) Urges those Governments that traditionally have shown special interest in the welfare of the Palestine refugees, both in the region and beyond, including all those to whom specific appeals have been made in the course of the Commissioner-General's fund-raising efforts, to begin contributing or to increase their contributions;

(e) Urges Governments to consider making special contributions sufficient to address funding shortfalls so that UNRWA services can continue uninterrupted and the Agency can restore activities cut as a result of the austerity measures, and to ensure that donor support of emergency-related and special programmes or capital projects does not in any way decrease or divert contributions to the Agency's regular programmes.

Notes

[1] *Official Records of the General Assembly, Twenty-fifth Session, Annexes*, agenda item 35, document A/8264; ibid., *Twenty-sixth Session, Annexes*, agenda item 38, document A/8476; ibid., *Twenty-seventh Session, Annexes*, agenda item 40, document A/8849; ibid., *Twenty-eighth Session, Annexes*, agenda item 43, document A/9231; ibid., *Twenty-ninth Session, Annexes*, agenda item 38, document A/9815; ibid., *Thirtieth Session, Annexes*, agenda item 54, documents A/10268 and A/10334; ibid., *Thirty-first Session, Annexes*, agenda item 53, document A/31/279; ibid., *Thirty-second Session, Annexes*, agenda item 55, document A/32/278; ibid., *Thirty-third Session, Annexes*, agenda item 54, document A/33/320; ibid., *Thirty-fourth Session, Annexes*, agenda item 50, documents A/34/567; A/35/526; A/36/615; A/37/591; A/38/558; A/39/575; A/40/736; A/41/702; A/42/633; A/43/702; A/44/641; A/45/645; A/46/622; A/47/576; A/48/554; A/49/509; A/50/491; and A/51/509.

[2] Resolutions 2791 (XXVI) of 6 December 1971, 2964 (XXVII) of 13 December 1972, 3090 (XXVIII) of 7 December 1973, 3330 (XXIX) of 17 December 1974, 3419 (XXX) of 8 December 1975, 31/15 C of 23 November 1976, 32/90 D of 13 December 1977, 33/112 D of 18 December 1978, 34/52 D of 23 November 1979, 35/13 D of 3 November 1980, 36/146 E of 16 December 1981, 37/120 A of 16 December 1982, 38/83 B of 15 December 1983, 39/99 B of 14 December 1984, 40/165 B of 16 December 1985, 41/69 B of 3 December 1986, 42/69 B of 2 December 1987, 43/57 B of 6 December 1988, 44/47 B of 8 December 1989, 45/73 B of 11 December 1990, 46/46 B of 9 December 1991, 47/69 B of 14 December 1992, 48/40 B of 10 December 1993, 49/35 B of 9 December 1994, 50/28 B of 6 Decemb 1995 and 51/125 of 13 December 1996.